

**COUNTY OF PLACER, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(AMOUNTS EXPRESSED IN THOUSANDS)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. Reporting Entity***

The County of Placer (the County) is a political subdivision of the State of California. An elected, five-member Board of Supervisors (the Board) governs the County. The Board is financially accountable for the Governmental Funds, Proprietary Funds, Fiduciary Funds, and the Discretely Presented Component Unit. Such financial accountability is determined on the basis of budget adoption, taxing authority, financial benefit or burden, funding and appointing a voting majority of the governing authority, designation of management, ability of the Board to impose its will, and fiscal dependency. The basic financial statements of the County include the financial activities of the following legally separate entities:

Blended Component Units

The County Service Areas are separate legal entities created to provide services such as water, sewer, lighting, and road maintenance throughout the County.

The Sewer Maintenance Districts are separate legal entities formed to provide sewer maintenance services within the County.

The Newcastle and Penryn Lighting Districts are separate legal entities formed to provide utilities services in these districts within the County.

The Redevelopment Agency of Placer County (the Redevelopment Agency) is a separate legal entity formed to administer the development of certain areas within the County.

The North Lake Tahoe Public Financing Authority is a separate legal entity formed to provide for the financing and refinancing of land improvements, facilities and equipment for public purposes.

The Placer County Public Financing Authority (the Financing Authority) is a separate legal entity formed through a joint exercise of powers agreement between the Redevelopment Agency and the County to facilitate the financing and refinancing of public capital facilities.

The Gold Country Settlement Funding Corporation (the Corporation) is a separate legal entity formed to provide tobacco securitization financing to the County to fund major capital improvement projects.

The In-Home Support Services Public Authority (the Authority) is a separate legal entity created pursuant to the Welfare and Institutions Code Section 12302.25. The purpose of the Authority is to provide for the delivery of in-home supportive services within the County.

All of the entities described above, although legally separate from the County, are included as part of the primary government of the County because their governing boards consist of or are appointed by the County Board of Supervisors, and therefore, the governing boards are substantively the same. As such, the Board can impose its will and can influence the programs, projects and activities of the component units.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***A. Reporting Entity (Continued)***

Discretely Presented Component Unit

The First 5 Placer Children and Families Commission (the Commission) was established under the provisions of the California Children and Families Act (the Act). The Commission is a public entity legally separate and apart from the County and its purpose is to develop, adopt, promote and implement early childhood development programs in the County of Placer consistent with the goals and objectives of the Act. The Commission's programs are funded by taxes levied by the State of California on tobacco products.

The Commission is administered by a governing board of seven members, which are appointed by the County Board of Supervisors. Three members are representatives of the County's health care departments, County's social services departments and Board of Supervisors. The County Board of Supervisors may remove any Commission member at any time. Since the County Board of Supervisors can impose their will on the Commission, the Commission is considered a component unit of the County.

Separate financial statements for the Redevelopment Agency, the North Lake Tahoe Public Financing Authority, the Commission and the Corporation may be obtained by contacting the County. Separate financial statements for the other legally separate entities are not issued.

***B. Government-wide and Fund Financial Statements***

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific segment or function. The County includes certain indirect costs as part of the program expenses reported for various functional activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given segment or function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment or function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted. As of June 30, 2006, the County has net assets of \$47,932 that have been restricted by enabling legislation.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. Government-wide and Fund Financial Statements (Continued)***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***C. Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 180 days of the end of the current fiscal period, except for property taxes, which the County considers available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The governmental funds used to liquidate compensated absences are the General Fund, Public Safety Fund, Road Fund, Capital Improvements Fund, Community Services Fund, County Library Fund, Fire Control Fund and the Redevelopment Agency Housing Fund.

Property taxes, franchise taxes, licenses, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and, as such, have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the County receives cash or receives the cash within the County's 180 day availability period

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the County, except those required to be accounted for in another fund.

The **Public Safety Special Revenue Fund** is used to account for the operations of Public Safety departments, including the Sheriff, Probation and District Attorney.

The **Road Special Revenue Fund** is used to account for the planning, design, construction, maintenance and administration of County roads.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)***

The **Capital Improvements Capital Projects Fund** was established to account for resources used for countywide facility acquisition and improvement needs and is used to account for deposits from developers and mitigation fees collected by the County and incorporated Cities related to new growth and development within the County.

The **Public Facilities Fees Capital Projects Fund** accounts for the collection and expenditure of fees imposed to mitigate the impacts of new development within the County. The fees provide the necessary funding for the construction, expansion or improvement of public facilities.

The County reports the following major enterprise funds:

The **Transit Fund** accounts for the costs of providing transit services throughout the County.

The **Facilities Fund** accounts for activities related to property management and building maintenance for County-owned and leased buildings and solid waste and landfill operations.

The **County Service Areas Fund** is used to account for financial resources collected in specific areas of the County which provide waste disposal services or to pay down debt incurred for public improvements.

The **Sewer Maintenance Districts Fund** accounts for water and sewer maintenance activities in specific areas of the County.

Additionally, the County reports the following fund types:

The **Internal Service Funds** account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or other governmental units on a cost reimbursement basis. Activities include the County's self-insurance programs, providing services to County-governed districts, service areas and advisory councils and equipment financing of the County.

The **Investment Trust Fund** accounts for the assets of legally separate entities that deposit cash with the County Treasurer in an investment pool, which commingles resources in an investment portfolio for the benefit of all participants. These participants include school and community college districts, other special districts governed by local boards, regional boards and authorities, and pass-through funds for tax collection for cities.

**Agency Funds** are custodial in nature and do not involve measurement of the results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the County as an agent for individuals and other government units.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)***

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with Governmental Accounting Standards Boards (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), are accounting principles generally accepted in the United States of America.

***D. Assets, Liabilities and Net Assets or Equity***

**Cash and Investments**

The County pools cash and investments with the County Treasurer except for cash and investments managed by fiscal agents under bonded debt agreements. Interest from bank accounts and investments are allocated to the various funds on a monthly basis based on the average daily cash balances of the funds entitled to receive interest to the total cash and investment pool. It is the County's policy to charge interest to funds that have a negative cash balance.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools*, the County has stated required investments at fair value in the accompanying financial statements. Changes in the fair value of investments are reflected as investment earnings. The fair value of investments are determined on a monthly basis and are obtained from published market prices and quotations from major investment brokers for all investments having greater than 90 days to maturity. For purposes of the statement of cash flows, proprietary funds consider all short-term (three months or less) highly liquid investments, including restricted assets, to be cash equivalents. Investments held in the County Treasurer's Pool are available on demand to individual entities, thus they are considered highly liquid and cash equivalents.

The County Treasurer's Pool values participants' shares on an amortized cost basis. Specifically, the Pool distributes income to participants based on their relative participation during the period. Amortized cost was used for all investments having 90 days or less to maturity, and cost was used for collateralized Certificates of Deposit purchased from state and nationally chartered banks. However, actual daily activity is done on a dollar-to-dollar basis and only a withdrawal from the pool of a size that jeopardizes pool participants would cause the withdrawal to be done at fair value. During the fiscal year ended June 30, 2006, the County has not provided or obtained any legally binding guarantees to support the value of pool shares.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Assets, Liabilities and Net Assets or Equity (Continued)***

Restricted Cash and Investments

Restricted cash and investments reported in the governmental funds represent proceeds from various bond issuances that have been set aside for the repayment of principal and interest on the related outstanding debt, and therefore, their use is limited by the applicable debt covenants. Restricted cash and investments also represent contractor retentions held by outside third party fiscal agents, which will be released and paid to the contractor upon the successful completion and approval of the related projects.

Restricted cash and investments of \$660 in the Facilities Enterprise Fund is restricted for the payment of postclosure care costs associated with the Eastern Regional Landfill. See Note 13 to the basic financial statements for additional landfill disclosures.

Interfund Receivables and Payables

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) in the balance sheet of governmental funds and statement of net assets for proprietary funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the government funds balance sheet, are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation of the government-wide presentation.

Inventories and Prepaid Items

Inventories are valued at cost, which is determined on a first-in first-out basis, and consist primarily of expendable supplies held for consumption. The cost is recorded as an expenditure when the items are used. In the governmental funds balance sheet, there is a reservation of fund balance equal to the inventory balance as these amounts are not available for appropriation.

Payments made for services that will benefit future accounting periods are recorded as prepaid items. In the governmental fund types, there is a reservation of fund balance equal to the amount of prepaid items, since these amounts are not available for appropriation.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Assets, Liabilities and Net Assets or Equity (Continued)***

Notes Receivable

Notes receivable represent loans made for redevelopment, economic development, first-time homebuyer and property rehabilitation. A loan committee approves the loans and deferral of payments. An allowance for loan losses in the amount of \$401 has been established due to the high risk nature of some of the Unsecured Development Loans and the forgivable nature of the Façade Improvement Loans for the Redevelopment Agency.

Capital Assets

Capital assets, which include property (e.g. land), plant (e.g. buildings and improvements), equipment (e.g. vehicles, computers, office equipment and software) and infrastructure (e.g. roads, bridges, sewers, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Capitalization thresholds are \$5 for equipment and \$50 for buildings, improvements and infrastructure.

Depreciation on capital assets and improvements is provided using the straight-line method. The estimated useful lives are as follows: infrastructure – 10 to 65 years; buildings and improvements – 10 to 50 years; and equipment – 2 to 25 years.

Compensated Absences

The County reports a liability for compensated absences attributable to services already rendered as of June 30, 2006 and that are not contingent on a specific event that is outside the control of the County, such as employee illness. This liability is based on the probability that the County will eventually compensate the employees for the benefits through paid time off or some other means, such as annual leave cash-outs or cash payments at termination or retirement. The liability is calculated based on pay rates in effect at June 30, 2006, in addition to those salary-related payments that are directly and incrementally associated with payments made for compensated absences on termination, such as Social Security and Medicare taxes.

All regular employees of the County earn paid vacations annually. The amount of vacation hours is based on the years of continuous service and the bargaining unit to which the employee belongs. Except for management employees, no more than 400 hours, or 520 hours after 10 continuous years of service, may be accumulated as of the last day of the first full pay period of each calendar year. Management employees can accumulate up to 520 hours. Also, regular employees are given credit for eight hours sick leave each month of employment with unlimited accumulation. Upon termination, employees are entitled to a lump sum payment for accrued vacation and compensatory time off. With respect to sick leave, employees are entitled to either a lump sum payout not to exceed \$2 or additional retirement credits from CalPERS based on a formula. Based on prior history, the majority of County employees opt for additional retirement credits. Accordingly, the County has not recorded a liability for any accrued sick leave. All other compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial statements.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Assets, Liabilities and Net Assets or Equity (Continued)***

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or proprietary funds statement of net assets. In the fund financial statements, governmental funds bond and capital lease proceeds are reported as other financing sources. Interest is reported as an expenditure in the period in which the related payment is made.

Net Assets/Fund Balances

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets - net of related debt, restricted and unrestricted.

- ❑ *Invested in capital assets, net of related debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the net asset balance.
- ❑ *Restricted* – This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ❑ *Unrestricted* – This category represents net assets of the County, not restricted for any project or other purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for a specific purpose. As of June 30, 2006, reservations of fund balance are described below:

- ❑ *Encumbrances* – to reflect the outstanding contractual obligations for which goods and services have not been received.
- ❑ *Notes receivable* – to reflect receivables that are long-term in nature and do not represent available spendable resources.
- ❑ *Inventories* – to reflect that balances of inventory accounts which reflect resources already expended, but not consumed, and are not available for appropriation.
- ❑ *Prepaid items* – to reflect the balances of prepaid items that benefit future periods and are not available for appropriation.
- ❑ *Advances to other funds* – to reflect the amounts due from other funds that are long-term in nature and do not represent available spendable resources.
- ❑ *Imprest cash* – to reflect cash on hand maintained by various departments that do not represent available spendable resources.



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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Assets, Liabilities and Net Assets or Equity (Continued)***

- ❑ *Debt service* – to reflect the funds held by trustees or fiscal agents for the future payment of principal and interest on the certificates of participation. These funds are not available for general operations.
- ❑ *Endowment* – to reflect the portion of fund balance that is legally restricted in order to provide for investment earnings, which is used for programs in Tahoe City.

In the fund financial statements, governmental funds report designations of fund balance to represent the County's intended use of current available financial resources. As of June 30, 2006, designations of fund balance are described below:

- ❑ *Capital asset acquisition and improvements* – funds set aside to provide for the future replacement and/or construction of County facilities.
- ❑ *Compensated leave* – portion of fund balance that has been set aside for the liquidation of the County's obligation for its compensated absences liability.
- ❑ *Other post employment benefits* – portion of fund balance that has been set aside to initially fund the County's annual postretirement healthcare costs and ongoing commitment that will be required upon the implementation of GASB Statement No. 45 in FY 2007/08.
- ❑ *Contingencies and economic uncertainties* – funds which are set aside to maintain consistent service levels in the event of an economic downturn or other unforeseen circumstances.
- ❑ *Other* – funds set aside by management for other intended uses such as automation.

**Property Taxes**

The County's property taxes are levied July 1 (Unsecured Roll) and October 1 (Secured Roll) on assessed values established on the lien date of the previous January 1 for all taxable property located within the County. Local assessed values are determined, subject to appeal before the Assessment Appeals Board, by the County Assessor's Office. Locally assessed real property is appraised at the 1975-76 base year value and is adjusted each year after 1975 by the change in the California Consumer Price Index (CCPI) not to exceed an increase of 2% per year.

Property is reappraised from the 1975-76 base year value to current full value upon either (1) a change in ownership or (2) new construction, as of the date of such transaction or completion of construction (only the newly constructed portion of the property is reappraised). Thereafter, it continues to be increased annually by the change in the CCPI not to exceed 2%. The net asset value for the 2005-2006 fiscal year is \$45,687,389.

The County is permitted by Division 1, Part 0.5, Chapter 5.5, of the California Revenue and Taxation Code, to levy taxes up to \$1.00 per \$100 of assessed valuation for general governmental services other than payment of principal and interest on general obligation bonds or other indebtedness approved by voters. Taxes are allocated to local agencies and school districts as outlined in Chapter 6 of the California Revenue and Taxation Code. Counties, cities, and school districts may levy such additional tax rate as is necessary to provide for voter-approved debt service.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Assets, Liabilities and Net Assets or Equity (Continued)***

Taxes are due in one installment (Unsecured Roll) on billing and are subject to late payment penalties if paid after August 31, or two installments (Secured Roll) due November 1 and March 1, and again subject to late payment penalties if paid after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

In fiscal year 1993-94, the County adopted the Alternate Method of Property Tax Allocation (commonly referred to as the Teeter Plan). Under the Teeter Plan, the County Auditor-Controller, an elected official, is authorized to pay 100% of the property taxes billed (secured, supplemental, and debt service) to the taxing agencies within the County. The County recognizes property tax revenues in the period for which the taxes are levied. Previously, such taxes were allocated and paid as the taxes were collected. Property taxes are accrued as receivables in the period when they are levied. Property tax revenues are recognized when they become available.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. Taxes on real estate, land and buildings are secured by liens on property being taxed.

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

	Government-wide Statement of Net Assets		Statement of Fiduciary Fund Net Assets		
	Primary Government	Component Unit	Investment Trust Fund	Agency Fund	Total
Cash and investments	\$ 445,189	\$ 8,934	\$ 506,450	\$ 19,157	\$ 979,730
Restricted cash and investments	12,954	--	--	--	12,954
Total cash and investments	<u>\$ 458,143</u>	<u>\$ 8,934</u>	<u>\$ 506,450</u>	<u>\$ 19,157</u>	<u>\$ 992,684</u>

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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 1,238
Deposits with financial institutions	33,995
Investments	987,635
Less warrants payable	(30,184)
	<hr/>
Total cash and investments	<u>\$ 992,684</u>

**Authorized Investments**

The table below identifies the investment types that are authorized by the County's investment policy and California Government Code Section 53601. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the County, rather than the general provisions of the County's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Rating</u>
U.S. Treasury Securities	5 years	100%	--	--
U.S. Agency Securities	5 years	100%	--	--
Local Agency Obligations	5 years	100%	5%	--
Bankers' Acceptances	180 days	30%	10%	--
Commercial Paper	270 days	40%	5%	A
Negotiable Certificates of Deposit	5 years	30%	10%	--
Repurchase Agreements	7 days	20%	10%	--
Corporate Notes	5 years	30%	5%	A
Collateralized Certificates of Deposit	5 years	20%	10%	--
Local Agency Investment Fund	1 year	\$40 million	--	--

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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Authorized Investments by Debt Agreements**

The investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the County's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Securities	--	--	--
U.S. Agency Securities	--	--	--
Local Agency Obligations	--	--	--
Bankers Acceptances	360 days	--	--
Commercial Paper	270 days	--	--
Negotiable Certificates of Deposit	360 days	--	--
Repurchase Agreements	--	--	--
Money Market Mutual Funds	--	--	--
Guaranteed Investment Contracts	--	--	--
Local Agency Investment Fund	--	--	--

The Placer County Treasurer's Pool (Pool) is not SEC-registered, but is invested in accordance with California State Government Code section 53600 et. seq. The Treasury Oversight Committee is charged with overseeing activity in the pool for compliance to policy and code requirements. To this end, the Treasury Oversight Committee reviews the monthly investment report and causes a compliance audit of investments to occur annually. Certain special districts and all public school districts are required by legal provisions to deposit their funds with the County Treasurer. The Pool consists almost entirely of such districts and includes 97 percent involuntary participants at June 30, 2006.

In addition to the restrictions and guidelines of California Government Code, cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Treasury Oversight Committee and the Board of Supervisors annually. The objectives of the policy are, in order of priority, safety of principal, liquidity and yield. All investments are made in accordance with the California Government Code and, in general, the Treasurer's policy is more restrictive than State law. The County Treasury did not have any violations of its policy during the current year.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Treasurer mitigates this risk by ensuring sufficient liquidity to meet cash flow needs and only then investing in longer-term securities. The Treasurer uses the weighted average maturity method to identify and manage interest rate risk.

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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Credit Risk**

Credit risk is the risk of loss due to an issuer of an investment not fulfilling its obligation to the holder of the investment. The County Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The County Treasurer's policy permits investment in the debt of issuers with a short-term rating of *superior capacity* and a minimum long-term rating of *upper medium grade* by two of the three largest nationally recognized rating agencies. For short-term ratings, the issuers' rating must be at least A-1 and P-1, and long-term ratings must be at least A- and A3 by two of the three largest nationally recognized rating agencies. In addition, the County Treasurer is permitted to invest in the debt of the State of California Local Agency Investment Fund, collateralized certificates of deposits and bonds and notes issued by other California local agencies and the County that are not rated.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the amount of investment in a single issuer. U.S. treasury and agency securities are considered to be of the best quality grade, as such there is no limitation on amounts invested in U.S. treasury or agency securities per California Government Code. Investments in any one issuer (other than U.S. treasury securities, money market mutual funds and external investment pools) that represent 5% or more of the total County investments are as follows:

Federal National Mortgage Association	\$ 197,550
Federal Home Loan Bank	141,181
Federal Home Loan Mortgage Corporation	133,699

**Custodial Credit Risk**

The custodial credit risk for deposits is the risk that in the event of the failure of a depository institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (i.e. broker-dealer) to a transaction, the County will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, the carrying amount of the County's cash deposits (including amounts in checking and nonnegotiable certificates of deposit) was \$33,995 and the bank balance was \$34,005.

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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

As of June 30, 2006, the County's investments and credit ratings are as follows:

<u>Investment Type</u>	<u>Credit Rating (Moody's/ Standard &amp; Poor's</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Investment in County Pool:			
U.S. government securities	Aaa/AAA	407 days	\$ 93,826
U.S. government agencies	Aaa/AAA	230 days	483,389
Commercial paper	Aaa/AAA	5 days	59,887
Negotiable certificates of deposit	A1/A	117 days	116,464
Corporate notes	A2/A	477 days	215,064
Local agency bonds	Not rated	10,868 days*	8,223
Total investments in County Pool			<u>976,853</u>
Restricted investments:			
Money market mutual funds	AAA	90 days	3,548
Guaranteed investment contract	Not rated	63 days	3,150
Corporate notes	AAA	63 days	1,914
Local agency bonds	A+/AA-	264 days	2,170
Total investments with fiscal agents			<u>10,782</u>
Total investments			<u>\$ 987,635</u>

\*In accordance with California Government Code Section 53601, any investment with a maturity in excess of five years requires the express authorization of the County's Board of Supervisors. Pursuant to resolution by the Board of Supervisors on March 21, 2006, the County Treasurer purchased local agency bonds issued by the Middle Fork Project Finance Authority which mature in April 2036.

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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Treasury Investment Pool**

Investments held in the County Pool are summarized as follows:

<u>Investment</u>	<u>Principal</u>	<u>Fair Value</u>	<u>Maturity Ranges</u>	<u>Interest Rate Ranges</u>
U.S. government securities	\$ 94,871	\$ 93,826	8/15/06 – 9/15/08	2.37-6.50%
U.S. government agencies	485,978	483,389	7/5/06 – 6/15/10	1.92-5.72%
Commercial paper	59,807	59,887	7/3/06 – 8/15/06	4.50-5.27%
Negotiable certificates of deposit	116,270	116,464	8/4/06 – 3/30/07	4.22-5.20%
Corporate notes	218,792	215,064	8/15/06 – 10/21/10	2.75-7.87%
Local agency bonds	8,223	8,223	4/1/36	5.69%
Total investments	<u>\$ 983,941</u>	<u>\$ 976,853</u>		

**Condensed Financial Information**

The Pool does not issue separate financial statements. Condensed financial information for the Pool as of and for the fiscal year ended June 30, 2006 is as follows:

Statement of net assets:

Net assets held for Pool participants	<u>\$ 1,009,086</u>
Equity of internal Pool participants	\$ 502,636
Equity of external Pool participants	<u>506,450</u>
Total equity	<u>\$ 1,009,086</u>

Statement of changes in net assets:

Net assets at July 1, 2005	\$ 924,581
Net change in net assets for Pool participants	<u>84,505</u>
Net assets at June 30, 2006	<u>\$ 1,009,086</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 3 – RECEIVABLES**

Receivables as of June 30, 2006, for the County's major individual funds, nonmajor and internal service funds, in the aggregate, net of allowances for uncollectible amounts of \$538, are as follows:

<b>Receivables- Governmental Activities:</b>	<b>Accounts</b>	<b>Interest</b>	<b>Notes</b>	<b>Due From Other Governments</b>	<b>Total</b>
General Fund	\$ 2,255	\$ 1,483	\$ 156	\$ 26,586	\$ 30,480
Public Safety	-	-	-	8,895	8,895
Road Fund	671	636	-	3,522	4,829
Capital Improvements	-	228	-	-	228
Public Facilities Fees	-	1,003	-	-	1,003
Other Governmental Funds	1,946	310	3,277	1,009	6,542
Internal Service Funds	66	434	-	-	500
Net receivables	<u>\$ 4,938</u>	<u>\$ 4,094</u>	<u>\$ 3,433</u>	<u>\$ 40,012</u>	<u>\$ 52,477</u>

<b>Receivables- Business-Type Activities:</b>	<b>Accounts</b>	<b>Interest</b>	<b>Total</b>
Transit Fund	\$ 831	\$ -	\$ 831
Facilities	755	296	1,051
County Service Areas	28	-	28
Sewer Maintenance Districts	170	154	324
Net receivables	<u>\$ 1,784</u>	<u>\$ 450</u>	<u>\$ 2,234</u>

The notes receivable balance represents redevelopment housing loans that are not expected to be fully collected within a year.



**COUNTY OF PLACER, CALIFORNIA**  
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**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006 for the governmental activities and business-type activities are as follows:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 38,083	\$ 2,726	\$ (20)	\$ 40,789
Construction in progress	48,827	46,730	(6,647)	88,910
Total capital assets not being depreciated	86,910	49,456	(6,667)	129,699
Capital assets, being depreciated:				
Structures and improvements	85,875	4,389	(187)	90,077
Equipment	44,901	9,780	(2,785)	51,896
Infrastructure	204,596	3,915	(2,844)	205,667
Total capital assets, being depreciated	335,372	18,084	(5,816)	347,640
Less accumulated depreciation for:				
Structures and improvements	(20,580)	(2,131)	-	(22,711)
Equipment	(24,833)	(5,603)	2,488	(27,948)
Infrastructure	(138,450)	(7,678)	2,264	(143,864)
Total accumulated depreciation	(183,863)	(15,412)	4,752	(194,523)
Total capital assets being depreciated, net	151,509	2,672	(1,064)	153,117
Governmental activities, net	\$ 238,419	\$ 52,128	\$ (7,731)	\$ 282,816

**COUNTY OF PLACER, CALIFORNIA**  
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**NOTE 4 – CAPITAL ASSETS (Continued)**

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,398	\$ -	\$ -	\$ 1,398
Construction in progress	1,206	187	(1,172)	221
Total capital assets not being depreciated	2,604	187	(1,172)	1,619
Capital assets, being depreciated:				
Structures and improvements	46,797	551	-	47,348
Equipment	9,091	13	(459)	8,645
Infrastructure	86,812	539	-	87,351
Total capital assets being depreciated	142,700	1,103	(459)	143,344
Less accumulated depreciation for:				
Structures and improvements	(26,330)	(1,010)	-	(27,340)
Equipment	(3,694)	(579)	423	(3,850)
Infrastructure	(24,072)	(1,336)	-	(25,408)
Total accumulated depreciation	(54,096)	(2,925)	423	(56,598)
Total capital assets being depreciated, net	88,604	(1,822)	(36)	86,746
Business-type activities, net	\$ 91,208	\$ (1,635)	\$ (1,208)	\$ 88,365

**COUNTY OF PLACER, CALIFORNIA  
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**NOTE 4 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 994
Public protection	1,894
Health and sanitation	131
Public ways and facilities	8,157
Recreation and cultural	76
Education	111
Capital assets held by the County's Internal Service Funds are charged to various functions based on usage of the assets	1,884
Total depreciation expense - governmental activities	<u>\$ 13,247</u>

**Business-type activities:**

Public transit	\$ 687
Facilities	337
Waste disposal	1,901
Total depreciation expense - business-type activities	<u>\$ 2,925</u>

**NOTE 5 – INTERFUND TRANSACTIONS**

Interfund Receivables/Payables

Interfund receivables and payables typically result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system or (3) payments between funds are made. As of June 30, 2006, the interfund receivables and payables are indicative of short-term cash flow borrowings. The following schedule briefly summarizes the amounts due to/from other funds at June 30, 2006:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 501
	Agency Funds	6,638
		<u>7,139</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>25</u>
Total		<u>\$ 7,164</u>

The Agency Funds owed the General Fund \$6,638 for short-term cash flow requirements as of June 30, 2006.

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**NOTE 5 – INTERFUND TRANSACTIONS (Continued)**

Advances to and advances from other funds represent long-term loans made to support the County's housing and redevelopment, county service area and special district activities. The following schedule briefly summarizes the amounts advanced to/from other funds at June 30, 2006:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ 1,157
Sewer Maintenance District	County Service Areas Enterprise Fund	63
Enterprise Fund		
Internal Service Funds		768
		831
Internal Service Funds	Other Governmental Funds	472
Total		<u>\$ 2,460</u>

Transfers are indicative of funding for capital projects, re-allocations of special revenues and subsidies of various County operations. The following schedule briefly summarizes the County's transfer activity for the fiscal year ended June 30, 2006:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Public Safety	\$ 48,802
	Road	6,311
	Capital Improvements	2,764
	Facilities	1,535
	Public Facility Fees	22,826
	Nonmajor Governmental Funds	4,607
	Internal Service Funds	1,336
		<u>88,181</u>

**COUNTY OF PLACER, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 5 – INTERFUND TRANSACTIONS (Continued)**

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Public Safety	General Fund	\$ 60
	Internal Service Funds	103
		<u>163</u>
Road	Capital Improvements	772
	Nonmajor Governmental Funds	255
		<u>1,027</u>
Capital Improvements	General Fund	457
	Nonmajor Governmental Funds	2,019
	Internal Service Funds	666
		<u>3,142</u>
Public Facility Fees	Capital Improvements	1,674
	Nonmajor Governmental Funds	20,007
	Internal Service Funds	304
		<u>21,985</u>
Nonmajor Governmental Funds	General Fund	205
	Capital Improvements	1,911
	Nonmajor Governmental Funds	14,767
		<u>16,883</u>

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**NOTE 5 – INTERFUND TRANSACTIONS (Continued)**

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Facilities	Capital Improvements	\$ 380
	Nonmajor Governmental Funds	333
		<u>713</u>
Nonmajor Enterprise Fund	General Fund	368
	Capital Improvements	925
		<u>1,293</u>
Internal Service Funds	General Fund	45
	Capital Improvements	350
	Public Safety	5
	Internal Service Funds	17
		<u>417</u>
Total transfers		<u>\$ 133,804</u>

**NOTE 6 – PAYABLES**

Payables at year-end of the County's major individual funds, nonmajor and internal service funds, in the aggregate, are as follows:

<b>Payables-</b>	Accounts	Due to	Deposits	
<b>Governmental Activities:</b>	Payable	Other	From	
	and Accrued	Governments	Others	Total
	Liabilities			
General Fund	\$ 13,218	\$ 2,316	\$ 383	\$ 15,917
Public Safety Fund	4,776	8	157	4,941
Road Fund	2,423	-	-	2,423
Capital Improvements Fund	3,980	-	4,373	8,353
Other Governmental Funds	1,563	-	17	1,580
Internal Service Funds	1,831	-	15	1,846
	<u>\$ 27,791</u>	<u>\$ 2,324</u>	<u>\$ 4,945</u>	<u>\$ 35,060</u>

**COUNTY OF PLACER, CALIFORNIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 6 – PAYABLES (Continued)**

<b>Payables- Business-type Activities:</b>	<b>Accounts Payable and Accrued Liabilities</b>	<b>Deposits From Others</b>	<b>Total</b>
Transit Fund	\$ 202	\$ -	\$ 202
Facilities Fund	251	172	423
County Service Areas Fund	83	10	93
Sewer Maintenance Districts Fund	687	47	734
	<u>\$ 1,223</u>	<u>\$ 229</u>	<u>\$ 1,452</u>

**NOTE 7 – LONG-TERM LIABILITIES**

*Governmental Activities*

A summary of certificates of participation outstanding for governmental activities as of June 30, 2006 is as follows:

<b>Purpose/Installments</b>	<b>Interest Rate %</b>	<b>Date of Issue</b>	<b>Maturity</b>	<b>Amount of Original Issue</b>	<b>Outstanding as of June 30, 2006</b>
Refinancing of the Administration and Emergency Services Building, installments ranging from \$465 to \$910	4.00-4.50	6/01/06	06/01/24	\$ 11,770	\$ 11,770
Construction of Juvenile Detention Facility, installments ranging from \$345 to \$815	3.90-5.00	6/19/98	07/01/25	13,200	11,085
Total				<u>\$ 24,970</u>	<u>\$ 22,855</u>

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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

The following is a schedule of total debt service requirements to maturity as of June 30, 2006 for certificates of participation:

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2007	\$ 855	\$ 1,029
2008	890	993
2009	930	955
2010	965	915
2011	1,000	872
2012-2016	5,700	3,654
2017-2021	7,085	2,230
2022-2026	5,430	566
<b>Total</b>	<b>\$ 22,855</b>	<b>\$ 11,214</b>

**Redevelopment Agency Loans Payable**

During the year ending June 30, 2004, the Redevelopment Agency of Placer County (the Agency) entered into a loan agreement with the California Housing Finance Agency (CHFA) in the amount of \$1,500. The loan has an interest rate of 3% per annum and matures on October 2, 2012. No repayment is due until the maturity date. Draws by the Agency in the amount of \$899 consist of loans to the Affordable Housing Development Corporation (AHDC) for predevelopment costs on three multifamily projects: \$545 for the Cedar Grove Project in the North Tahoe Project Area; additional advance of \$150 to the Silverbend Project in the North Auburn Project Area; and \$204 for the Cimmeron Ridge Project, which is no longer a viable project. The Cedar Grove and Silverbend projects will potentially contribute up to 252+ units of affordable rental housing in the County.

During the year ended June 30, 2005, the Agency entered into a loan agreement with Wells Fargo Bank for \$500. The loan has an interest rate of 2% per annum and matures on September 7, 2009. No repayment is due until the maturity date.

During the year ended June 30, 2006, the Agency entered into a loan agreement with the California Infrastructure and Economic Development Bank (CIEDB) in the amount of \$312. The loan has an interest rate of 3.05% per annum and matures on August 1, 2034. The proceeds were used for the construction of the Brook Avenue parking lot, which was completed during the year.



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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Securitization Loan Payable**

In accordance with GASB Technical Bulletin 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, the Gold Country Settlement Funding Corporation (the Corporation) has been included in the basic financial statements as a blended component unit of the County. The Corporation initially borrowed from the California County Tobacco Securitization Agency (the Securitization Agency) the proceeds of the Series 2002 Tobacco Settlement Asset-Backed Bonds (Series 2002 Bonds) issued by the Securitization Agency for \$41,590. During the fiscal year ended June 30, 2006, the Securitization Agency issued \$59,372 in Series 2006 Tobacco Settlement Asset-Backed Bonds (Series 2006 Bonds), with interest rates ranging from 5.25% to 5.83%, the proceeds of which were used to advance refund the Series 2002 Bonds. Loan payments will be funded by future tobacco settlement revenues. The Securitization Agency bonds mature in June 2046.

In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Securitization debt, neither the Securitization Agency, or the County, nor the Corporation has any liability to make up any such shortfall.

The following is a schedule of total debt service requirements to maturity as of June 30, 2006 for the Corporation's loan payable. Debt service requirements are based on various assumptions, including the timing of tobacco settlement revenues. The loan is subject to mandatory redemption prior to the stated maturity dates based on amounts available in the Turbo Redemption Account on June 1 and December 1.

<b>Year Ending</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
<b>June 30,</b>		
2007	\$ 102	\$ 2,369
2008	264	2,395
2009	274	2,414
2010	282	2,435
2011	287	2,458
2012-2016	3,213	13,681
2017-2021	2,997	15,154
2022-2026	3,501	18,124
2027-2031	2,510	18,673
2032-2036	8,187	14,826
2037-2041	15,730	8,362
2042-2046	22,025	3,599
Total	<u>\$ 59,372</u>	<u>\$ 104,490</u>

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**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

A summary of changes in long-term liabilities in governmental activities is as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Compensated absences	\$ 12,017	\$ 3,717	\$ (3,206)	\$ 12,528	\$ 3,569
Self insurance liability (Note 12)	27,629	1,685	(5,616)	23,698	6,246
Capital lease obligations (Note 8)	1,063	452	(323)	1,192	425
Securitization loan	39,955	59,372	(39,955)	59,372	102
Original issuance discount	-	(1,459)	-	(1,459)	-
Deferred amount on refunding	-	(1,742)	-	(1,742)	-
Redevelopment Agency loans payable	1,399	312	-	1,711	7
Certificates of participation	24,060	11,770	(12,975)	22,855	855
Deferred amount on refunding	<u>-</u>	<u>(332)</u>	<u>-</u>	<u>(332)</u>	<u>-</u>
Total	<u>\$ 106,123</u>	<u>\$ 73,775</u>	<u>\$ (62,075)</u>	<u>\$ 117,823</u>	<u>\$ 11,204</u>

**Advance Refunding**

Certificates of Participation

On May 17, 2006, the Financing Authority, a blended component unit of the County, issued \$11,770 of Certificates of Participation – 2006 Administrative and Emergency Services Building Refinancing Project with interest rates ranging from 4.00% - 4.50%. The net proceeds of \$11,463 (after the payment of \$325 in underwriting fees, insurance, and other issuance costs) along with \$1,086 of cash previously held in reserve for future debt service, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Certificates of Participation. As a result, the 1997 Certificates of Participation are considered to be defeased and the related liability has been removed from the government-wide statement of net assets. The advance refunding was undertaken to reduce the County's total debt service payments over the next 18 years by \$1,312 and to obtain an economic gain (the difference between the present values of the old and the new debt service payments) of \$555.

**COUNTY OF PLACER, CALIFORNIA  
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**NOTE 7 – LONG-TERM DEBT (Continued)**

Securitization Loan

On May 19, 2006 the Securitization Agency issued \$59,372 of Series 2006 Bonds for the purpose of loaning bond proceeds to the Corporation to securitize eight additional years of tobacco settlement receipts by advance refunding the Series 2002 Bonds issued by the Agency for the benefit of the Corporation. The net proceeds of \$57,913 along with \$5,788 of cash previously held in reserve for future debt service, were used to pay costs of issuance and related fees of \$1,013; fund a debt service reserve of \$5,064; deposit \$1,181 to set aside the necessary funds to pay interest on the Series 2006 Bonds due on December 1, 2006; pay accrued interest and principal, as a turbo redemption payment, on the Series 2002 Bonds of \$1,178 and \$275, respectively; purchase \$41,422 of U.S. government securities and deposit those funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2002 Bonds; and the remaining \$13,568 was loaned to the Corporation by the Securitization Agency under an amended and restated loan agreement to fund various capital projects occurring within the County. As a result, the Series 2002 Bonds are considered to be defeased and the related liability has been removed from the government-wide statement of net assets.

The Series 2006 Bonds were issued at a true interest cost of approximately 5.60%, and replaced the Series 2002 Bonds that were issued at a true interest cost of 6.05%. The 2006 Bonds extended the stated maturity of the Series 2002 Bonds from 2038 to 2046. From a cash flow perspective, the nominal debt service on the Series 2002 Bonds and Series 2006 Bonds was \$95,264 and \$103,454, respectively, a change in cash flow of \$8,190. The present value of the debt service requirements on the Series 2002 Bonds and Series 2006 Bonds is \$42,812 and \$42,778, respectively. When comparing the present value of the debt service requirements on the Series 2002 Bonds and the Series 2006 Bonds related to the refunding, the present value savings, or economic gain, is \$34.

**Prior Year Defeasance**

On June 1, 1998, the County issued \$13,200 in Certificates of Participation with an average interest rate of 4.7% to finance the cost of constructing a juvenile detention facility and to advance refund \$4,430 of outstanding 1994 Certificates of Participation with an average interest rate of 6.6%. Proceeds from the 1998 Certificates of Participation were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Certificates of Participation. As a result, the 1994 Certificates of Participation are considered defeased and the related liability is not reported in the government-wide statement of net assets. As of June 30, 2006, \$3,625 of the 1994 Certificates of Participation was outstanding.

**COUNTY OF PLACER, CALIFORNIA**  
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**(AMOUNTS EXPRESSED IN THOUSANDS)**

**NOTE 7 – LONG-TERM DEBT (Continued)**

*Business-Type Activities*

A summary of bonds outstanding for business-type activities as of June 30, 2006 is as follows:

<u>Purpose/Installments</u>	<u>Interest Rate %</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding as of June 30, 2006</u>
Construction of Sewer Collection and Treatment Plant, installments ranging from \$6 to \$8	5.00	12/1/69	1/1/09	\$ 122	\$ 23
Finance closure and post closure costs at Eastern Regional Landfill, installments ranging from \$260 to \$375	3.70-5.00	7/1/97	1/1/12	4,170	2,000
Total				<u>\$ 4,292</u>	<u>\$ 2,023</u>

The following is a schedule of total debt service requirements to maturity as of June 30, 2006 for the outstanding bonds:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 302	\$ 98
2008	318	84
2009	333	69
2010	340	53
2011	355	37
2012	375	19
Total	<u>\$ 2,023</u>	<u>\$ 360</u>

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**NOTE 7 – LONG-TERM DEBT (Continued)**

A summary of changes in long-term debt in business-type activities is as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
1976 sewer and water bonds payable	\$ 29	\$ -	\$ (6)	\$ 23	\$ 6
1997 revenue bonds payable	2,285	-	(285)	2,000	295
Capital lease obligations (Note 8)	468	-	(178)	290	190
Landfill postclosure liability (Note 13)	4,944	-	(125)	4,819	-
Compensated absences	546	87	(320)	313	89
Total	<u>\$ 8,272</u>	<u>\$ 87</u>	<u>\$ (914)</u>	<u>\$ 7,445</u>	<u>\$ 580</u>

***Special Assessment Debt***

The total matured and unmatured bonds outstanding related to special assessment debt is \$21,872 as of June 30, 2006. The County acts as an agent for the property owners in collecting special assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, when appropriate. The County is not liable for repayment of the special assessment debt, and accordingly, they are not reflected in the accompanying basic financial statements. Cash held on deposit and corresponding amounts payable are reported in an Agency Fund.

***Arbitrage***

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current fiscal year, the County performed calculations of excess investment earnings on various bonds and financings and, at June 30, 2006, does not expect to incur a liability.

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**NOTE 8 – LEASE OBLIGATIONS**

***Capital Leases***

The County has entered into lease agreements as the lessee for financing the acquisition of administrative buildings, fire trucks, construction equipment and vehicles. The related assets and obligations have been recorded using the County's incremental borrowing rate at the inception of leases. The leases expire at various dates through 2009-2010.

Capital assets and accumulated depreciation held under capital leases are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Equipment	\$ 1,919	\$ -	\$ 1,919
Buildings and improvements	-	1,331	1,331
Total	1,919	1,331	3,250
Less accumulated depreciation	(261)	(233)	(494)
Net capital assets	<u>\$ 1,658</u>	<u>\$ 1,098</u>	<u>\$ 2,756</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 were as follows:

<b>Year ending June 30,</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
2007	\$ 519	\$ 206
2008	446	103
2009	303	-
2010	106	-
Total minimum lease payments	1,374	309
Less amount representing interest	(182)	(19)
Total	<u>\$ 1,192</u>	<u>\$ 290</u>

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**NOTE 8 – LEASE OBLIGATIONS (Continued)**

***Operating Leases***

The County leases real estate and equipment under cancelable and noncancelable operating leases. Future minimum rental payments under operating leases with initial or remaining noncancelable lease terms in excess of one year as of June 30, 2006 are summarized as follows:

<b>Year Ending June 30,</b>		
2007	\$	3,166
2008		2,838
2009		2,777
2010		2,616
2011		1,380
2012-2016		3,199
2017-2021		33
	<u>\$</u>	<u>16,009</u>

Rents for all such leases have been recorded in the General Fund. Total rental expenditures under operating leases for the fiscal year ended June 30, 2006 were \$3,246.

**NOTE 9 – EMPLOYEES' RETIREMENT PLAN**

***Plan Description***

All full and part-time permanent County employees and certain extra help employees who have worked over 1,000 hours in a fiscal year are eligible to participate in the California Public Employees Retirement System (CalPERS). Elected officials may also participate at their option. Per diem employees and extra help employees working less than 1,000 hours in a fiscal year are excluded. Benefits vest after five years of service. To be eligible for retirement an employee must be at least 50 years of age and have five years of CalPERS credited service. Safety employees who retire at age 50 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3% of their average monthly pay rate for the last consecutive 12 months of employment, for each year of credited service up to a maximum of 30 years or 90%. Miscellaneous employees who retire at age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their average monthly pay rate for the last consecutive 12 months of employment. CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are prescribed within a contract between the County and CalPERS.

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**NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (Continued)**

The County contributes to CalPERS, an agent multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The benefits for the public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. CalPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. Copies of CalPERS’ annual financial report may be obtained from their Executive Office, 400 Q Street, P.O. Box 942701, Sacramento, California 94229.

***Funding Policy***

Employees under the Miscellaneous Plan are required to contribute 8% and employees under the Safety Plan are required to contribute 9% of covered salary to CalPERS. The County is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. For the fiscal year ended June 30, 2006, the employer contribution rate was 13.776% for the Miscellaneous Plan and 26.960% for the Safety Plan. The County, as part of its compensation to employees, pays all of the employees' contributions, except 1%, in addition to its own.

***Annual Pension Cost***

For the fiscal year ended June 30, 2006, the County's annual pension cost of \$31,795 for CalPERS was equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included the following for both the Miscellaneous and Safety Plan, (a) a rate of return on investments (net of administrative expenses) of 7.75%, (b) inflation of 3.0%, and (c) projected salary increases of 3.25% to 14.45% for the Miscellaneous Plan and 3.25% to 13.15% for the Safety Plan, with a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the County's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The difference between the Actuarial Value of Assets and the Actuarial Accrued Liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period for the Miscellaneous Plan and the Safety Plan at June 30, 2003 was 18 years and 16 years, respectively.

**Three-Year Trend Information**

<b>Fiscal Year-End</b>	<b>Miscellaneous Plan</b>		<b>Safety Plan</b>	
	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage Of APC Contributed</b>
2004	\$ 10,246	100%	\$ 5,982	100%
2005	19,013	100%	8,510	100%
2006	22,944	100%	8,851	100%



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**NOTE 10 – OTHER POSTRETIREMENT BENEFITS**

In addition to the pension benefits described in Note 9, the County provides postretirement healthcare benefits to its retirees under two plans. In accordance with California Government Code, all employees electing a CalPERS retirement date within 120 days of retiring from the County are eligible to receive healthcare benefits for life. As of June 30, 2006, there were 947 retirees receiving healthcare benefits. In accordance with County negotiated employee benefits, retired employees may elect to apply up to eight hours of accrued sick leave toward one month's healthcare coverage. The County's contribution is equal to current employee rates. As of June 30, 2006, 211 employees had made this election. Expenditures for postretirement healthcare benefits relating to both of these plans are recognized as monthly premiums are paid and are financed on a pay-as-you-go basis. During the fiscal year, expenditures of \$5,920 were recognized for postretirement healthcare benefits.

**NOTE 11 – CONTINGENT LIABILITIES**

The County is a defendant in a number of lawsuits and has other claims pending, some of which seek substantial money damages. Some claims may not be covered under the County's excess liability insurance policy; however, management is of the opinion that the potential liability would not have a significant adverse effect on the County's financial position.

The County participates in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits by grantors or their representatives. Some audits of these programs for or including the fiscal year ended June 30, 2006 have not been concluded. Accordingly, the County's compliance with applicable grant requirements is yet to be established. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the County's management does not expect such amounts, if any, to be material.

**NOTE 12 – RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The Self-Insurance Internal Service Fund accounts for and finances the County's risks of loss. Under these programs, the County is self-insured for the following risks up to the maximum amount per claim as follows: Workers' Compensation, \$125; General Liability, \$500; Dental and Vision Care, \$1. Except for general liability, the County purchases commercial insurance for claims in excess of the preceding coverage amounts and for all other risks of loss.

For general liability claims, the County is a participant in the California State Association of Counties - Excess Insurance Authority (CSAC) excess liability insurance program. The County covers the first \$1,000 of claims. The purpose of the pool is to spread the adverse effects of losses among the member agencies. The County pays an annual basic premium for excess coverage and is assessed an annual risk premium based on an actuarial review that estimates each of the program's participant's ultimate liabilities. Should actual losses among participants be greater than anticipated, the County will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the County will be refunded its pro rata share of the excess. Commercial insurance covers claims between \$1,000 and \$25,000. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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**NOTE 12 – RISK MANAGEMENT (Continued)**

The County's Transit Enterprise Fund is self-insured for public liability and property damage up to \$100 per occurrence. Claims between \$100 and \$500 are insured through the California Transit Systems Joint Powers Insurance Authority (CaTIP), a joint powers agency risk sharing pool, established in 1987 to provide an independently managed self-insurance program for member transit operators. The purpose of CaTIP is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense. Claims in excess of the pool limit are covered by excess insurance purchased by CaTIP up to \$10,000 per occurrence. The Transit Enterprise Fund has not settled any claims exceeding the risk-pool limit of \$500 per occurrence for any of the past three fiscal years. The Transit Enterprise Fund has the following forms of coverage through CaTIP: bodily injury liability, property damage liability; public officials error and omissions liability; personal injury liability and collision and comprehensive coverage.

All County funds participate in the self-insurance programs and make payments to the Self Insurance Internal Service Fund based on historical cost and/or actuarial estimates of the amounts needed to pay prior and current year claims (including future claim adjustment expenses), and to allow accrual of estimated incurred but not reported claims. The total historical cost and/or actuarially determined claims liability at June 30, 2006 is \$23,698 consisting of \$12,970 for Workers Compensation, and \$10,728 for General Liability. Changes in the Self Insurance Fund claims liabilities during the fiscal years ended June 30, 2006 and 2005 were as follows:

	<b>Claims Liability July 1</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Current Year Claims Payments</b>	<b>Balance June 30</b>
2004-2005	\$ 22,758	\$ 11,095	\$ (6,224)	\$ 27,629
2005-2006	27,629	1,331	(5,262)	23,698

The claims liabilities above, reported in the Self Insurance Internal Service Fund at June 30, 2006, are based on requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and GASB Statement No. 30, *Risk Financing Omnibus*, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. These accruals represent estimates of amounts to be paid for reported claims, and incurred but unreported claims based upon past experience, modified for current trends and information based upon an 80% confidence level. The County contracts with independent actuaries to compute the estimated liabilities for the County's self-insurance programs. The liability for unpaid claims for workers' compensation and general liability is discounted to reflect estimated net present value assuming a 3.0% interest rate. While the ultimate losses incurred through June 30, 2006 are dependent on future developments, based upon information provided by County Counsel and others involved with the administration of these programs, the County's management believes that the aggregate accrual is adequate to cover such losses.

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**NOTE 13 - COUNTY SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE  
CARE COST**

The County accounts for solid waste landfill postclosure costs based on the provisions of GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. State and federal laws and regulations require the County to place a final cover on its Eastern Regional landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County closed the landfill during the 1995-1996 fiscal year. The landfill postclosure care liability of \$4,819 at June 30, 2006, represents the cumulative amount reported to that date based on the use of 100% of the estimated capacity of the landfill. Actual costs may be higher due to change in estimated inflation, deflation, changes in technology, or changes in applicable laws and regulations.

The County is required by state and federal regulations to make deposits to its postclosure maintenance fund to finance postclosure care costs. The County has restricted cash and investments for the payment of postclosure care costs in the amount of \$660 as of June 30, 2006.

**NOTE 14 - JOINT VENTURE**

The County, in conjunction with the City of Roseville and the South Placer Municipal Utility District, has formed the South Placer Wastewater Authority (the Authority) on October 1, 2000 to provide for the planning, financing, acquisition, ownership, construction and operation of the Regional Wastewater Facilities (Facilities). The County's ongoing financial responsibility is for the payment of their proportionate share of the operational and maintenance costs of the Facilities. The County does not have any equity interest in the Authority and, as of June 30, 2006, the County does not expect any additional financial benefit or financial burden from the Authority. The Authority's fund equity as of June 30, 2005 was \$1.3 million (information at June 30, 2006 was not yet available at the time of the County's publication). Complete audited financial statements for the South Placer Wastewater Authority can be obtained from the Authority's offices at 2005 Hilltop Circle, Roseville, CA 95747.

On January 10, 2006, the County and the Placer County Water Agency (Water Agency) pursuant to a joint exercise of powers agreement formed the Middle Fork Project Finance Authority (Middle Fork Authority). The Middle Fork Authority was established to serve the mutual interests of the County and the Water Agency, to provide for the financing of studies, programs, procedures, projects, services, improvements, modifications, and other costs that may be required in order for the Water Agency to obtain a new Federal Energy Regulatory Commission license, which is set to expire in February 2013, to continue operating the Middle Fork Hydroelectric Project (MFP). Currently, the Water Agency operates the MFP pursuant to the provisions of an existing power purchase contract with PG&E, which is set to expire in February 2013. The Middle Fork Authority is governed by a 4 member board of directors. The board of directors is comprised of 2 members who are appointed by the County Board of Supervisors and 2 members who are appointed by the Board of Directors of the Water Agency. The County has an ongoing financial interest in the Middle Fork Authority. In March 2013, at the expiration of the current power purchase contract with PG&E, the Middle Fork Authority will assume the role of fulfilling the obligations of the County and the Water Agency to approve any future electrical energy sales or contract and to approve the expenditure of funds received from the sale of electrical energy from the MFP. The County will be entitled to an equal distribution of the revenue from the energy sales after the Middle Fork Authority's funding of the basic operations and maintenance of the MFP and any capital additions or betterments to the MFP.

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

The County, in conjunction with Alpine, El Dorado, Nevada and Sierra counties, has created Golden Sierra Job Training Agency, the purpose of which is to develop and implement a public and private employer's job training program under which local employment needs and goals will be determined and training and employment programs will be planned, developed, and administered. The Golden Sierra Job Training Agency is funded through grants by the federal and state governments. The County has no equity interest in Golden Sierra Job Training Agency and no ongoing financial responsibility.

The County, in conjunction with the Cities of Roseville, Rocklin, and Lincoln, has formed Western Placer Waste Management Authority, the purpose of which is to acquire, own, operate and maintain a sanitary landfill site and all related improvements. The County has no equity interest in Western Placer Waste Management Authority and no ongoing financial responsibility.

The County is a participant with the counties of Nevada, Sutter, Yolo and Yuba to develop and operate Sierra-Sacramento Valley Emergency Medical Services Agency (the Agency). The Agency was developed to coordinate the provision of emergency medical services and to conduct various other specifically designated functions. The County has no equity interest in the Agency and no ongoing financial responsibility.

**NOTE 16 – RECLASSIFICATION AND RESTATEMENT OF FUND  
BALANCES/NET ASSETS**

During the year ended June 30, 2006, the County evaluated its governmental and agency funds and made numerous fund reclassifications to more appropriately classify and report the funds based upon their operating activities. The County also restated its beginning fund balance for the General Fund due to the improper deferral of revenues, as well as, Other Governmental Funds due to a change in the accounting for long-term notes receivable by increasing fund balance and reserving a portion representative of amounts that are not available for appropriation. The impact of the restatements on beginning fund balances from amounts previously reported is presented below:

**Governmental Funds:**

	<u>General Fund</u>	<u>Public Safety</u>	<u>Road</u>
Fund balances, June 30, 2005, as previously Reported	\$ 106,668	\$ 9,880	\$ 44,160
Fund restatements:			
Recognition of revenues previously deferred	1,036	85	433
Fund reclassifications	<u>12,909</u>	<u>132</u>	<u>-</u>
Fund balances, July 1, 2005, as restated	<u>\$ 120,613</u>	<u>\$ 10,097</u>	<u>\$ 44,593</u>

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**NOTE 16 – RECLASSIFICATION AND RESTATEMENT OF FUND  
BALANCES/NET ASSETS (Continued)**

	<u>Capital Improve- ments</u>	<u>Public Facilities Fees</u>	<u>Other Governmental Funds</u>
Fund balances, June 30, 2005, as previously Reported	\$ 99,914	\$ -	\$ 49,981
Fund restatements:			
Change in accounting for long-term notes receivable	-	-	1,191
Fund reclassifications	<u>(78,546)</u>	<u>78,546</u>	<u>(1,760)</u>
Fund balances, July 1, 2005, as restated	<u>\$ 21,368</u>	<u>\$ 78,546</u>	<u>\$ 49,412</u>

**Governmental Activities:**

Beginning net assets for governmental activities was restated and increased \$6,477 from the amount previously reported of \$502,622, as of June 30, 2005, as a result of the fund reclassifications and fund restatements.

**Business-type Activities and Proprietary Funds:**

The business-type activities and the Transit Enterprise Fund increased its beginning net assets by \$92 representing the elimination and write-off of an outstanding accounts receivable. As a result, beginning net assets as of July 1, 2005 for the business-type activities and the Transit Enterprise Fund are \$121,991 and \$11,129, respectively.

**NOTE 17 – SUBSEQUENT EVENT**

On July 20, 2006, the Redevelopment Agency issued three separate issues of tax allocation bonds, which include the North Lake Tahoe Redevelopment Project, 2006 Series A in the principal amount of \$15,765, the North Auburn Redevelopment Project, Series B in the principal amount of \$3,520 and Housing Projects, Series C, in the principal amount of \$5,865. Proceeds from the sale of the bonds will be used to finance the redevelopment activities within and for the benefit of the North Lake Tahoe and North Auburn redevelopment project areas and to finance low and moderate income housing activities of the Redevelopment Agency.

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**NOTE 18– NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

The County has been and continues to analyze its accounting practices to determine the potential impact on the financial statements for the following GASB statement:

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require the County to fund its OPEB plan. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the County's fiscal year ending June 30, 2008.